

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7467**

**BILL NUMBER:** HB 1886

**NOTE PREPARED:** Jan 11, 2003

**BILL AMENDED:**

**SUBJECT:** Tax Credit for Certified Internship Programs.

**FIRST AUTHOR:** Rep. Austin

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill allows a state educational institution to apply to the Department of Workforce Development for certification for an internship program operated or administered by the institution. The bill requires the Department, in conjunction with the Commission for Higher Education, to certify an internship program if the program meets certain requirements. The bill provides a refundable credit against the state tax liability of an Indiana employer for 25% of the payroll expenditures made by the employer during a taxable year to a student participating in a certified internship program. It provides that the total amount of all tax credits approved for such payroll expenditures may not exceed \$300,000 in a state fiscal year.

**Effective Date:** Upon passage; January 1, 2004.

**Explanation of State Expenditures:** The certification of the internship programs could increase expenditures for the Department of Workforce Development depending on the number of programs that would be certified. The funds and resources required could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations. As of October 21, 2002 the Department had 84 vacant positions valued at \$2,306,594 and reverted \$2,488,612 to the state General Fund on June 30, 2002. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

The impact on universities to create and operate the internship programs would be covered by student tuition

and state appropriations for higher education. The internship would be funded as course offered by the university.

The Department of State Revenue (DOR) would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate this tax credit. These expenses presumably could be absorbed given the DOR's existing budget and resources.

**Explanation of State Revenues:** The bill provides a refundable credit against the state tax liability of the employer equal to 25% of the payroll expenditures for a certified internship program. The taxpayer must claim the credit on their tax return in the manner prescribed by the DOR along with proof of payroll expenditures. DOR is to record the filing of the credit in chronological order and may not approve credits that exceed \$300,000 in a fiscal year. Therefore, the maximum revenue loss per year for this credit is \$300,000.

The tax credit is effective for tax years beginning January 1, 2004 and would affect revenue collections beginning in FY 2005. The credit may be applied against a taxpayer's Adjusted Gross Income Tax, Financial Institutions Tax or Insurance Premiums Tax liability. These taxes are deposited in the General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Universities, Department of Workforce Development, Department of Education; Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** Kent Weldon 317-464-4400, Higher Education Commission

**Fiscal Analyst:** Chuck Mayfield, 317-232-4825